



STATE OF MISSISSIPPI
TREASURY DEPARTMENT

TATE REEVES
STATE TREASURER

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JACKSON, MISSISSIPPI 39205
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Honorable Phil Bryant
State Auditor
State of Mississippi
8th Floor, Woolfolk Building
Jackson, Mississippi 39201

Dear Mr. Bryant:

We have reviewed the financial audit findings in reference to our fiscal year 2004 audit. Listed below are our responses and plan for corrective action:

AUDIT FINDING:	Strengthen Controls over the Statewide Collateral Pool
Response:	We concur with this finding.
Corrective Action:	The controls over the Statewide Collateral Pool and the Public Funds Guaranty Pool were established to ensure that adequate collateral is maintained to secure the public deposits of over 1200 entities held by over 110 financial institutions. The State Treasury staff will continue to monitor the pools under the current procedures and will be instructed to verify that errors are kept to a minimum. In regards to the calculation of required collateral, the staff has been instructed to use the more conservative approach in determining the collateral level. We are currently using the higher of average daily balance or month end balance and will continue to do so.
AUDIT FINDING:	Internal Controls over the Use of the Signature Stamp Should Be Implemented
Response:	We concur with this finding.
Corrective Action:	We have implemented the use of a log that requires the user of the signature stamp to document the purpose and sign and date. We no longer use the signature stamp to sign checks. This method was only in place during the term of the interim State Treasurer. We now use the signature machine maintained in the vault that requires the user and a second witness to sign a log.

AUDIT FINDING: Contractual Services Should be Supported by Written Agreements

Response: We concur with this finding.

Corrective Action: Written contracts for existing and new contractual employees will be implemented and the originals will be maintained by the Accounting Director.

AUDIT FINDING: Supervisory Review of Arbitrage Schedules Should be Performed

Response: We concur with this finding.

Corrective Action: The employee responsible for preparing these schedules spends a considerable amount of time reviewing MERLIN reports and compiling the schedules before they are sent to the arbitrage attorney for calculation. In order to fully comply with the request as stated in the audit finding, a supervisor would be required to review the reports and trace all numbers back to supporting documentation to ensure they were properly prepared without error. We will begin performing a cursory review of the schedules and this review will be documented, however, due to the limited number of staff at the State Treasury, the review will be limited in scope.

If you have any question, please call Liz Welch, Deputy Treasurer at 359-3600.

Sincerely,

A handwritten signature in cursive script that reads "Liz Welch".

Tate Reeves
State Treasurer